

# Study of Employers in Rate Class 40

**Study  
involved  
2005 data**

**Fishing &  
construction  
have most  
rate-40  
businesses**

**78% of  
rate-40 firms  
have 0-4  
employees**

**ESSB 6885 required the Employment Security Department to study and report on Washington “employers in rate-class 40, including types of industries, sizes of employers, contributions paid and benefit charges attributable to such employers.”**

## **Parameters of the study**

- Looked at Washington employers who were in rate-class 40 in 2005.
- Included 13,410 employers, which is equal to 9 percent of all employers.

## **Key findings**

**Looking across all industries in Washington, those with the highest percentage of employers in rate-class 40 included:**

- Fishing – 71 percent of employers in this industry.
- Heavy and civil-engineering construction – 40 percent of employers in this industry.
- Non-residential building construction – 38 percent of employers in this industry.

**Looking solely at employers within rate-class 40, the leading industries were:**

- Private households, including COPES (Community Options Program Entry System) accounts – 19 percent of employers studied.
- Specialty-trade construction contractors – 17 percent of employers studied.
- Fruit and vegetable farming – 6 percent of employers studied.

## **Size of firms in rate-class 40**

<i># of employees</i>	<i>RC-40 employers</i>	<i>All employers</i>
0-1	53.2%	42.1%
2-4	25.2%	25%
5-10	11.3%	16%
11-50	8.1%	13.3%
>50	2.2%	3.6%

## **Movement into rate-class 40**

<i>Rate class in 2004</i>	<i>% of 5,338 employers that moved into RC-40 in 2005</i>
Non-qualified	28.1%
1	14.1%
2-10	4.4%
11-20	6%
21-30	9.3%
31-35	15.8%
36-39	22.3%

“Non-qualified” includes firms that do not have enough claims history to have their own experience rating or are paying a “penalty rate.”

### **Movement in/out of rate-class 40**

<i>Consecutive years in RC-40 before moving out</i>	<i>% of 9,664 employers in RC-40 in 2000</i>
1	15.7%
2	12.4%
3	11.7%
4	16.5%
5	7.6%
6	3.2%
7	1.7%
8	0.9%
9	0.4%
Still in RC-40	18.4%
Indeterminate	11.4%

- Calculation is based on employers that would have been in rate-class 40 based on their benefit ratio in 2000.
- Data include the 35 percent of employers that went out of business before 2006. They are represented in the table

### **Employers in rate-class 40 every year, from 2000 through 2005**

- 6 percent of all employers were in rate-class 40 for the entire six-year period.
  - Construction - 38 percent
  - Agriculture, forestry and hunting – 33 percent
  - Fishing – 6 percent
- 59 percent were located in a rural area.
- 60 percent were in Eastern Washington.

### **Taxes vs. benefits for rate-class 40**

- \$172 million paid in taxes in calendar-year 2005.
- \$286 million paid in benefits in fiscal year 2004 charged against these employers' accounts.
- \$114 million more was paid out in benefits than was collected in taxes for workers laid off by rate-class 40 employers.

### **Contacts**

Jill Will, legislative liaison, 360-902-9457, [jwill@esd.wa.gov](mailto:jwill@esd.wa.gov)

November 30, 2006

**Produced by Office of Communication & Legislation, 360-902-9308**